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THE NATIONAL ACCOUNTS

ANALYZED FOR THE TERM OF EIGHTEEN YEARS SINCE THE RESUMPTION OF SPECIE PAYMENTS

1879 TO 1896

SUPPLEMENT TO THE ADDRESS OF

EDWARD ATKINSON

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APPENDIX TO ADDRESS OF MR. EDWARD ATKINSON.

FOUR TABLES, SHOWING NATIONAL REVENUE AND EXPENSES PER CAPITA YEARLY FOR THE LAST EIGHTEEN YEARS.

PENSIONS AND INTEREST.

Year.	Pensions.	Interest on public debt.	Total.	Per capita.
1879	$35,121,482.39	$105,327,949.00	$140,449,431.39	$2.87
1880	56,777,174.44	95,757,575.11	152,534,749.55	3.04
1881	50,059,279.62	82,508,741.18	132,568,020.80	2.58
1882	61,345,193.95	71,077,206.79	132,422,400.74	2.52
1883	66,012,573.64	59,160,131.25	125,172,704.89	2.33
1884	55,429,228.06	54,578,378.48	110,007,606.54	2.00
1885	56,102,267.49	51,386,256.47	107,488,523.96	1.91
1886	63,404,864.03	50,580,145.97	113,985,010.00	1.99
1887	75,029,101.79	47,741,577.25	122,770,679.04	2.09
1888	80,288,508.77	44,715,007.47	125,003,516.24	2.08
1889	87,624,779.11	41,001,484.29	128,626,263.40	2.10
1890	106,936,855.07	36,099,284.05	143,036,139.12	2.28
1891	124,415,951.40	37,547,135.37	161,963,086.77	2.53
1892	134,583,052.79	23,378,116.23	157,961,169.02	2.41
1893	159,357,557.87	27,264,392.18	186,621,950.05	2.79
1894	141,177,284.96	27,841,405.64	169,018,690.60	2.47
1895	141,395,228.87	30,978,030.21	172,373,259.08	2.47
1896	139,434,000.98	35,385,028.93	174,819,029.91	2.45
Total	$1,634,494,385.23	$922,327,845.87	$2,556,822,231.10	
Per capita yearly average . .	$1.523	$0.86	$2.383	

ORDINARY EXPENSES, EXCEPT FOR PENSIONS AND INTEREST.

Year.	Civil and miscellaneous items.	War Department.	Navy Department.	Indians.	Ordinary expenses except for pensions and interest. Total.	Per Capita.	
1879	$65,741,555.49	$40,425,660.73	$15,125,126.84	$5,206,109.08	$126,498,452.14	$2.59	Hayes.
1880	54,713,529.76	38,116,916.22	13,536,984.74	5,945,457.09	112,312,887.81	2.24	
1881	64,416,324.71	40,466,460.55	15,686,671.66	6,514,161.09	127,083,618.01	2.48	
1882	57,219,750.98	43,570,494.19	15,032,046.26	9,736,747.40	125,559,038.83	2.39	Arthur.
1883	68,678,022.21	48,911,382.93	15,283,437.17	7,362,590.34	140,235,432.65	2.61	
1884	70,920,433.70	39,429,603.36	17,292,601.44	6,475,999.29	134,118,637.79	2.44	
1885	87,494,258.38	42,670,578.47	16,021,079.67	6,552,494.63	152,738,411.15	2.72	
1886	74,166,929.85	34,324,152.74	13,907,887.74	6,099,158.17	128,498,128.50	2.24	Cleveland.
1887	85,264,825.59	38,561,025.85	15,141,126.80	6,194,522.69	145,161,500.93	2.47	
1888	72,952,260.80	38,522,436.11	16,926,437.65	6,249,307.87	134,650,442.43	2.25	
1889	80,664,064.26	44,435,270.85	21,378,809.31	6,892,207.78	153,370,352.20	2.50	
1890	81,403,256.49	44,582,838.08	22,006,206.24	6,708,046.67	154,700,347.48	2.47	Harrison.
1891	110,048,167.49	48,720,065.01	26,113,896.46	8,527,469.01	193,409,597.97	3.02	
1892	99,841,988.61	46,895,456.30	29,174,138.98	11,150,577.67	187,062,161.56	2.88	
1893	103,732,799.27	49,641,773.47	30,136,084.43	13,345,347.27	196,856,004.44	2.94	
1894	101,943,884.07	54,567,929.85	31,701,293.79	10,293,481.52	198,506,589.23	2.90	Cleveland.
1895	93,279,730.14	51,804,759.13	28,797,795.73	9,939,754.21	183,822,039.21	2.63	
1896	87,216,234.62	50,830,920.89	27,147,732.38	12,165,528.28	177,360,416.17	2.48	
Total	$1,459,698,016.42	$796,477,724.73	$370,409,357.29	$145,358,960.06	$2,771,944,058.50		
Per capita yearly average . . .	$1.360	$0.742	$0.346	$0.135	$2.583		

INTERNAL AND CUSTOMS REVENUE DERIVED FROM LIQUORS AND TOBACCO.

Years ending June 30.	Internal Revenue.			Custom Duties.				Total.	Per Capita.
	Distilled spirits.	Tobacco and manufactures.	Malt liquors.	Malt liquors.	Distilled spirits.	Wines.	Tobacco and manufactures.		
1879	$52,570,285	$40,135,003	$10,729,320	$254,099	$2,511,136	$2,597,494	$4,254,947	$113,052,284	$2.31
1880	61,185,509	38,870,140	12,829,803	283,296	2,788,531	3,091,926	4,681,400	123,730,605	2.45
1881	67,153,975	42,854,992	13,700,241	321,048	2,965,707	3,376,901	4,655,592	135,028,456	2.63
1882	69,873,408	47,391,989	16,153,920	417,202	3,161,522	3,604,929	6,000,961	146,603,931	2.80
1883	74,368,775	42,104,250	16,900,616	511,383	3,374,507	5,367,451	7,661,638	150,288,620	2.80
1884	76,905,385	26,062,400	18,084,954	533,241	3,141,391	2,589,255	6,945,652	134,262,278	2.45
1885	67,511,209	26,407,088	18,230,782	546,999	2,943,773	3,665,792	7,356,369	126,662,012	2.26
1886	69,092,266	27,907,363	19,676,731	585,102	2,834,696	3,774,349	8,311,114	132,181,621	2.30
1887	65,829,322	30,108,067	21,922,188	614,187	2,939,923	3,848,133	9,127,758	134,389,578	2.29
1888	69,306,166	30,662,432	23,324,218	666,666	2,981,772	4,014,806	9,734,987	140,691,047	2.35
1889	74,312,206	31,866,861	23,723,835	663,337	2,943,248	4,179,815	11,194,487	148,883,789	2.43
1890	81,687,375	33,958,991	26,008,535	726,653	3,129,424	4,662,004	13,317,368	163,490,350	2.61
1891	83,335,964	32,796,271	28,565,130	835,922	3,437,571	5,229,834	16,172,277	170,372,969	2.66
1892	91,309,984	31,000,493	30,037,453	833,124	2,948,715	5,058,662	10,265,068	171,453,499	2.62
1893	94,720,261	31,889,712	32,548,983	928,944	3,183,634	5,144,039	14,831,990	183,247,563	2.74
1894	85,259,252	28,617,899	31,414,788	776,200	2,447,657	3,706,387	13,668,907	165,891,090	2.43
1895	79,862,627	29,704,908	31,640,618	637,512	2,594,366	3,697,826	14,916,306	163,054,163	2.34
1896	80,670,071	30,711,629	33,784,235	648,406	2,624,785	3,462,872	14,859,117	166,761,115	2.34
Total	$1,344,954,040	$603,050,488	$409,276,350	$10,783,321	$52,952,358	$71,072,475	$177,955,938	$2,670,044,970	
Per capita yearly average	$1.25	$0.562	$0.381	$0.01	$0.05	$0.066	$0.166	$2.485	

TABLE IV.

Receipts, Etc.	1879.	1880.	1881.	1882.	1883.	1884.	1885.	1886.	1887.
Population	48,866,000	50,155,783	51,316,000	52,495,000	53,693,000	54,911,000	56,148,000	57,404,000	58,680,000
Customs Duties:									
Malt liquors . . .	$254,099	$283,296	$321,048	$417,202	$511,383	$533,241	$546,999	$585,102	$614,187
Distilled spirits . .	2,511,136	2,788,531	2,965,707	3,161,522	3,374,507	3,141,391	2,943,773	2,834,696	2,939,923
Wines	2,597,494	3,091,926	3,376,906	3,604,929	5,367,451	2,589,255	3,665,792	3,774,349	3,848,133
Tobacco	4,254,947	4,681,400	4,655,592	6,000,961	7,661,638	6,945,652	7,356,369	8,311,114	9,127,758
Other imports . . .	127,632,332	175,676,912	186,840,423	207,226,116	197,791,518	181,857,951	166,959,006	177,399,762	200,756,892
Total	$137,250,048	$186,522,065	$198,159,676	$220,410,730	$214,706,497	$195,067,490	$181,471,939	$192,905,023	$217,286,893
Per capita	2.78	3.71	3.83	4.19	3.98	3.55	3.22	3.36	3.69
Internal Revenue:									
Distilled spirits . .	$52,570,285	$61,185,509	$67,153,975	$69,873,408	$74,368,775	$76,905,385	$67,511,209	$69,092,266	$65,829,322
Malt liquors . . .	10,729,320	12,829,803	13,700,241	16,153,920	16,900,616	18,084,954	18,230,782	19,676,731	21,922,188
Tobacco	40,135,003	38,870,140	42,854,992	47,391,989	42,104,250	26,062,400	26,407,088	27,907,363	30,108,067
Other sources . . .	10,727,003	11,123,922	11,555,178	13,078,278	11,346,727	533,334	349,646	129,576	968,814
Total	$113,561,611	$124,009,374	$135,264,386	$146,497,595	$144,720,368	$121,586.073	$112,498,725	$116,805,936	$118,823,391
Per capita	2.32	2.45	2.63	2.79	2.69	2.21	2.05	2.06	2.11
Miscellaneous . . .	$23,015,525	$22,995,172	$27,358,231	$36,616,925	$38,860,717	$31,866,307	$29,720,042	$26,728,768	$35,282,993
Total permanent rec'pts	$273,827,184	$333,526,611	$360,782,293	$403,525,250	$398,287,582	$348,519,870	$323,690,706	$336,439,727	$371,403,277
Per capita	5.60	6.65	7.00	7.68	7.41	6.36	5.76	5.86	6.33
Surplus revenue . . .	6,879,301	65,883,653	100,069,405	145,543,810	132,879,444	104,393,626	63,463,771	93,956,589	103,471,097

TABLE IV.— *Concluded.*

Receipts, Etc.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.
Population	59,974,000	61,289,000	62,622,250	63,975,000	65,516.000	66,946,000	68,307,000	69,878,000	71,390,000
Customs Duties:									
Malt liquors	$666,666	$663,337	$726,653	$835,922	$833,124	$928,944	$776,200	$637,512	$648,406
Distilled spirits	2,981,772	2,943,248	3,129,424	3,437,571	2,948,715	3,183,634	2,447,657	2,594,366	2,624,785
Wines	4,014,806	4,179,815	4,662,004	5,147,765	5,058,662	5,144,039	3,706,387	3,697,826	3,462,872
Tobacco	9,734,987	11,194,487	13,317,368	16,172,277	10,265,068	14,831,900	13,668,907	14,916,306	14,859,117
Other imports	201,692,943	204,851,855	207,833,136	195,928,670	168,347,395	179,266,500	111,219,379	130,312,607	138,426,572
Total	$219,091,174	$223,832,742	$229,668,585	$219,522,205	$177,452,964	$203,355,017	$131,818,530	$152,158,617	$160,021,752
Per capita	3.69	3.65	3.67	3.43	2.72	3.04	1.93	2.18	2.25
Internal Revenue:									
Distilled spirits	$69,306,166	$69,447,176	$76,539,003	$79,626,093	$85,541,208	$89,231,300	$79,899,647	$74,837,396	$75,327,898
Malt liquors	23,324,218	23,235,864	25,494,798	28,192,328	29,431,498	31,962,743	30,834,674	31,044,305	33,139,141
Tobacco	30,662,432	30,399,977	32,443,510	32,573,736	31,000,493	31,889,712	28,617,899	29,704,908	30,711,629
Other sources	1,004,056	7,798,497	8,129,395	5,294,092	7,997,874	7,943,869	7,759,013	7,835,063	7,584,197
Total	$124,296,872	$130,881,514	$142,606,706	$145,686,249	$153,971,073	$161,027,624	$147,111,233	$143,421,672	$146,762,865
Per capita	2.07	2.13	2.28	2.28	2.35	2.41	2.15	2.06	2.06
Miscellaneous	$35,878,029	$32,335,802	$30,805,692	$27,403,993	$23,513,747	$21,436,988	$18,792,256	$17,809,786	$20,191,583
Total permanent rec'pts	$379,266,075	$387,050,058	$403,080,983	$392,612,447	$354,937,784	$385,819,629	$297,722,019	$313,390,075	$326,976,200
Per capita	6.32	6.31	6.43	6.14	5.42	5.76	4.36	4.48	4.58
Surplus revenue	111,341,274	87,761,080	85,040,272	26,838,542	9,914,453	2,341,674			
Deficit	—	—	—	—	—	—	69,803,261	42,805,223	25,203,246

SUMMARY RECEIPTS AND EXPENDITURES PER CAPITA.

	1879.	1880.	1881.	1882.	1883.	1884.	1885.	1886.	1887.
Revenue	$5.60	$6.65	$7.00	$7.68	$7.41	$6.36	$5.76	$5.86	$6.33
Expenditures	4.90	4.69	5.11	5.19	5.41	4.89	4.98	4.54	4.76
	President Hayes.			Presidents Garfield and Arthur.				President Cleveland.	

SUMMARY RECEIPTS AND EXPENDITURES PER CAPITA.— *Concluded.*

	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.
Revenue	$6.32	$6.31	$6.43	$6.14	$5.42	$5.76	$4.37	$4.48	$4.58
Expenditures	4.60	4.93	5.08	5.68	5.50	5.68	5.33	4.97	4.82
	President Cleveland.		President Harrison.				President Cleveland.		

In the consideration of the foregoing tables, all of which have been verified on official data, the following facts are presented: —

The average expenditure per capita from the year 1879 to the year 1896 inclusive, counting by years ending June 30, in each year has been a fraction less than five dollars ($5) per head. That period covers the terms of the administrations of Presidents Hayes, Garfield and Arthur, and Cleveland (1st), when due regard was given to economy in the public service. It also covers a period under the Harrison administration in which no regard was given to economy in the public service, and during which heavy contracts were made which lapped over and increased the expenditures in the first two years of President Cleveland's second administration. In the year 1896 of President Cleveland's administration the expenditures had again been reduced to four dollars and eighty-two cents ($4.82) per head. I have therefore dealt with the period of economy and adequate revenue from 1879 to 1890 inclusive, and the period of extravagant expenditure and deficient revenue from 1891 to 1895 inclusive, in order that each reader may derive his own conclusions from the facts which cannot be gainsaid.

CONCLUSIONS DERIVED FROM THE FOREGOING TABLES.

First Period, 1879 to 1890 Inclusive.

Population subject to national taxation year by year, from 1879 to 1890, 667,554,033.

Amount of national taxation	per head,	$6.47	$4,319,399,615
Amount of national expenditures	" "	4.75	3,168,992,295
Applied to the reduction of the national debt	per head,	$1.72	$1,150,407,320

Second Period, 1891 to 1895 Inclusive.

Population subject to national taxation year by year, from 1891 to 1895 inclusive, 334,622,000.

Amount of national revenue	per head,	$5.22	$1,744,481,954
Amount of national expenditures	" "	5.40	$1,805,594,546
Deficiency of revenue		$0.18	$61,112,592

The deficiency has continued to date, May, 1897, but is now diminishing.

Reduction of revenue in second period under the McKinley Act, mainly on sugar,—$6.47 reduced to $5.22 = $1.25 reduction on aggregate population, 334,622,000 . . .	$418,277,750
Increase of expenditure under Harrison administration from average of $4.75 per head to $5.40 = 65 cents on population, 334,622,000	217,504,300
Total loss in debt-paying power in five years under the effect of the acts of 1890	$635,781,800

In dealing with this subject, it may be held that the influence of the revenue acts of 1890 extended over the fiscal year ending June 30, 1891, to and including the fiscal year ending June 30, 1895, constituting the five fiscal years as they are dealt with in this table. The acts of 1894 had not begun to exert their influence materially until after the end of this period; namely, in the fiscal years ending June 30, 1896 and 1897. The foregoing analysis discloses the fact that the amount of national revenue derived under the acts of 1890, and also under the subsequent acts throughout the years 1896 and 1897, has been more than sufficient to meet all national expenditures, had the appropriations been made with due regard to economy and not exceeding the ratable expenditure of twelve years of Republican and Democratic administrations prior to 1890. The revenue now being derived from existing laws is more than sufficient to cover all national expenditures at the rate of the last year of the administration of President Cleveland. The pretext of a need of additional revenue to meet an alleged deficiency is a mere cover, concealing for the time the fact that the appropriations of the last Congress are the most excessive and extravagant that any Congress has yet dared to make. This table proves conclusively, and so that the fact cannot be gainsaid, that the act of 1890 reduced the revenue ratably more than four hundred million dollars ($400,000,000), while other acts of 1890 increased the expenditures two hundred million dollars ($200,000,000), making an aggregate difference in the debt-paying power of the United States treasury in five years in excess of six hundred million dollars ($600,000,000).

It is also a fact that the Sherman act for increasing the purchases of silver was passed in 1890; that it was resisted upon the ground that it would sooner or later bring on "a financial panic, such as had seldom been witnessed, and a complete paralysis of industry." Such were the conditions which ensued in the year 1893, to which a part of the reduction in revenue may be attributed. Yet, admitting all the force of that panic, it is without the power of any student, economist, or politician, to disprove the fact demonstrated by these tables; namely, that the whole cause of a deficiency of revenue in the years 1891 to 1897, inclusive, is to be attributed to the loss of the revenue from sugar of ninety (90) cents per head under the McKinley act, to the increase of expenditures under other acts of that date and to the panic brought on by the Sherman act of the same year. Had the sugar tax been retained throughout this period at ninety (90) cents per head, there would have been no deficiency. Had the expenditures been kept down even to the average of eighteen (18) years, which includes a large part of this later period of excess, there would have been no deficiency. Had there been no panic and no disturbance of trade, which might have been avoided except for the Sherman act of 1890, there would have been no deficiency of revenue. Let that deficiency, then, lie at the door of those who are responsible for it, whose present representatives are now declaring themselves to be incapable of reducing taxation to meet existing conditions and also incapable of raising a revenue to supply the need of the treasury of the United States without accompanying it by measures that will divert an equal sum or more from the pockets of the people to the private gain and income of those at whose dictation the pending tariff measures have been prepared.

It is often held that the opponents of such measures as the one now pending give no consideration to the necessary increase in the expenditures of our government with the growth of the country. There is no ground for this charge. It is admitted that with the growth of this country there must be an absolute increase in the amount of money annually appropriated. There is no reason why there should be an increase beyond a given and level sum per head. What we oppose is the ratable or per capita increase. If it be admitted that a rule of adequate expenditure has been established in the experience of eighteen years at the rate of five dollars ($5)

per head, it follows that the normal increase of population multiplied by five dollars ($5) a head will now yield between eight million ($8,000,000) and nine million dollars ($9,000,000) absolute increase of revenue in the next fiscal year, and will presently yield ten million dollars ($10,000,000), while the falling in of pensions will add to that sum three and a half million dollars ($3,500,000), and presently a greater sum. Before any action can be taken under any act now pending, the increase of population and the falling in of pensions will have placed at the disposal of Congress fifteen million dollars ($15,000,000) to be applied to any necessary increase of the cost in conducting the government without changing the per capita rate of five dollars ($5) a head.

It has been demonstrated in this treatise that absolute reliance can be placed upon a revenue from liquors and tobacco at a rate per capita of $2.50.

It was absolutely demonstrated by twelve years' experience, prior to 1890, that a revenue could be relied upon from the sugar tax at a rate per capita of ninety cents.

It is absolutely certain that the miscellaneous permanent receipts will annually yield per capita twenty-five cents.

It is practically certain that, with the sugar duties restored, the present revenue with that addition will yield in the next fiscal year more than five dollars ($5) per head.

Mr. Dingley alleged a necessity for an additional revenue of one hundred and twelve million dollars ($112,000,000), of which twenty-two million ($22,000,000) was to be yielded from sugar. Even if that sum were required by any necessity or for any other purpose than to meet reckless and extravagant expenditures, there are many sources of abundant revenue which have not been touched by which even that great sum could be attained without imposing a double burden by way of a high tariff tax, of which one-half might be secured to the government, the other half diverted to private interest.

1. There is one saving of expense which has not been touched. The postal deficiency is in round figures ten million dollars ($10,000,000) a year. A simple amendment of the postal act doing away with the abuse of the mails on second-class matter has been estimated by Mr. Wilson to save very much more than that sum; namely, ten million dollars ($10,000,000).

2. An addition of only fifty (50) cents a barrel on beer will yield seventeen million dollars ($17,000,000).

3. According to our experience during the war taxation, a stamp tax on deeds, stocks, and bonds at a very moderate rate, without the petty tax on bank checks, could be relied upon to yield twenty million dollars ($20,000,000).

4. An additional stamp tax ought to be put upon proprietary and patent medicines. The greater part of these compounds derive whatever effect they have, if any, from the large proportion of alcohol which they contain. One may witness the enormous profits that must be made by the well-known expenditures for advertising. An additional stamp tax or other tax on these compounds would readily yield ten million dollars ($10,000,000).

5. It is proposed to tax tea. A tax on tea and coffee at a moderate rate of thirty (30) cents per head would yield twenty-two million dollars ($22,000,000).

6. There is one source to which no attention has yet been given, from which a large revenue could be derived without harm to any one; namely, a tax on the products of petroleum at fifty (50) cents a barrel, twenty-five million dollars ($25,000,000).

Mr. David A. Wells has already pointed out nearly all these untouched sources of revenue.

In the items already named and computed, a revenue of over one hundred million dollars ($100,000,000) would be poured into the treasury under the strict rule that all the taxes that the people paid under the conditions of these laws the government should receive.

I submit these tables and computations subject to the most careful scrutiny. It has been a difficult matter to lay out the forms and to bring the items of the government accounts into these forms; and, while all the figures that have been used have been verified, it would be almost impossible for a busy man to direct so complex a work without some fractional errors. Therefore, I doubt not that some minor errors may be discovered. On the other hand, I have applied this method several times to different periods and to a slightly different classification of the items. I have applied the double entry methods with which an accountant is familiar to the single entries which have been arrayed one against each other. I am, therefore, as sure as one can be in regard to a problem which

cannot be absolutely proved that no error will be found in any of these statements which would affect the general results in any but a negligible amount.

In dealing with the problem of meeting the necessary demands of the government with a supply of the means of payment, it is expedient to bring the question of ways and means to an individual measure. What is the interest of each person in this matter? All indirect taxes are of necessity distributed in ratio to consumption. State, county, and municipal taxes are derived mainly through an assessment upon real and personal property, amounting in the aggregate, in 1890, to $443,096,574, or $7.12 per head, but now lessened in ratio to population. The revenue of the nation is derived mainly from indirect taxes on articles of common use, and is therefore distributed in ratio to common consumption. A computation per head will measure with approximate accuracy the contribution of each person. The annual ordinary expenses of the national government, legislative and judicial, since 1879, has been an average rate of two dollars and a half ($2.50) per head, while the expenditures for interest and pensions due to the Civil War have been substantially the same,— namely, two dollars and a half ($2.50) (see previous table),— making an average tax of five dollars ($5) per head, or a contribution from each person engaged in a gainful occupation, one in each two and three-quarters of the population, of a little under fifteen dollars ($15) a year. The variations from this rule are from a minimum of $4.23 per capita in 1886 to a maximum of $5.63 in 1893.

It may be remarked incidentally that the average per capita expenditure for liquors and tobacco by consumers exceeds fifteen dollars ($15). In other words, the voluntary use of liquors and tobacco, from which the revenue needed for all normal cost of the United States government is derived, exceeds the whole sum of taxation for national, State, county, city, and town purposes.

Now, if the necessity or expediency of collecting the national revenues from articles of common consumption be admitted, may not one simple principle be laid down for the guidance of legislation? namely: —

All taxes that the people pay must be received by the government.

If this simple principle is kept in view, it will appear that great progress has already been made toward a national revenue system which may very soon become wholly consistent with it. (See previous table.)

In this period the following important changes have been made in the laws for assessing internal and customs duties.

The internal tax on all kinds of tobacco except snuff, cigars, cheroots, and cigarettes was changed by the act of March 3, 1883, from 16 cents to 8 cents per pound; and on smoking and manufactured tobacco the rate was fixed by the act of Oct. 1, 1890, at 6 cents a pound.

The internal tax on cigarettes weighing not more than three pounds per thousand was decreased by act of March 3, 1883, from $1.75 per thousand to $0.50 per thousand; on those weighing above that limit, from $6 to $3 per thousand; and on cigars and cheroots by same act, from $6 to $3 per thousand.

The customs tax on manufactured tobacco of all descriptions was reduced by the act of March 3, 1883, from 50 to 40 cents per pound; and on cigars, cigarettes, and cheroots the act of Aug. 28, 1894, fixed the rate at $4 per pound, and 25 per cent. ad valorem.

The internal tax on distilled spirits was increased by the act of Aug. 28, 1894, from $0.90 to $1.10 per gallon; and the customs rate was decreased by same act from $2.50 to $1.80 per gallon.

The depression since the panic of 1893 is marked in no other way so surely as by the diminution in the consumption of these articles; yet may not the rule be considered established that the revenue from liquors and tobacco has sufficed to cover all the normal expenses of the government at $2.50 per head, and that it will continue to do so, tending to exceed them when due regard is given to limiting expenditures to necessary purposes?

Such is the rule derived from an experience covering a sufficient period. It follows that the whole problem of national taxation remaining to be solved is how to collect two dollars and a half ($2.50) per head from other sources than liquors and tobacco to meet the interest on the national debt, the pensions now diminishing, and such a contribution to the payment of the principal of the debt as will assure the final payment of the existing debt bearing interest at or before maturity in 1904.

This additional sum of two dollars and a half ($2.50) per head will doubtless be yielded by the present acts for the collection of the revenue aside from liquors and tobacco as soon as the industry and consumption of the country are restored to normal conditions. Yet, since it may be deemed expedient to make this assurance doubly sure, the right method of securing such an average contribution or a little more for the next five years, on an average population which will number in round figures 75,000,000, may be considered. This amount would be on an average one hundred and eighty-seven million five hundred thousand dollars ($187,500,000) per year, which must be derived from taxes from other sources than liquor and tobacco.

It will be remarked that a provision for a revenue to that amount can hardly fail to yield a surplus for the payment of debt if the attention of the people is directed to the prevention of extravagant appropriations and to keeping the cost of government at the normal rate which has sufficed for eighteen years and will suffice in the future.

In proof of this, regard may be given to existing conditions.

The interest on the national debt is now $34,389,091, and may not be increased.

The pension expenditures under existing laws have reached their highest point, and are now decreasing. It may be assumed that they will diminish with accelerating speed; and, although it is hard to count upon the deaths of the defenders of the nation in computing future demands upon the Treasury, it is necessary and expedient to do so in making any suitable forecast.

The number of survivors of the men enlisted in the Civil War (omitting deserters) June 30, 1895, is approximately estimated as 1,154,810; 1896, 1,125,725.

The number of enlisted men who were survivors of the late war on the pension roll June 30, 1896, was 733,442, or $63\frac{67}{100}$ per cent. of the total number of survivors. The rest of the pension roll consisted of the survivors of other wars and of the widows or children of soldiers.

The total number of pensioners June 30, 1896, was 970,678; and the average annual value of such pensions was $133.38. The aggregate annual value or obligation of all pensions on the roll at same time was $129,485,587.

An approximate estimate of the falling in of pensions may be compiled in the following manner :—

The death-rate per thousand from 1891 to 1895 inclusive has been computed as follows :—

	Pensioners.	*Survivors.*
1891	16.4	18.8
1892	18.9	19.9
1893	23.9	21.1
1894	23.7	22.3
1895	25.5	23.7

It will be remarked that the death-rate under invalid pensions exceeds that of survivors ; but, on the other hand, the death-rate of widows and children is probably less than either. Therefore, taking the death-rate of survivors as approximately suitable to a forecast, the falling in of pensions from 1896 to 1905 may be as follows :—

Pension Roll.	*Number.*	*Amount.*
June 30, 1896	970,678	$129,485,587.00
Death-rate, 1897, per 1,000, 26.98	26,189	3,493,587.87
Remainder	944,489	$125,991,999.13
1898, 28.72	27,126	3,618,526.92
Remainder	917,363	$122,373,472.21
1899, 30.57	28,044	3,740,985.55
Remainder	889,319	$118,632,486.66
1900, 32.53	28,930	3,859,175.23
Remainder	860,389	$114,773,311.43
1901, 34.60	29,769	3,971,095.29
Remainder	830,620	$110,802,216.14
1902, 36.78	30,550	4,075,278.35
Remainder	800,070	$106,726,937.79
1903, 39.07	31,259	4,169,856.82
Remainder	768,811	$102,557,080.97
1904, 41.48	31,890	4,254,030.33
Remainder	736,921	$98,303,050.64
1905, 44.02	32,439	4,327,265.29
Remainder	704,482	$93,975,785.35

Returning to the immediate problem,— revenue,— having provided by means of liquors and tobacco for the normal cost of government, it will be necessary to raise $2.50 per head more in the fiscal year ending June 30, 1898.

Dealing with the next fiscal year, the basis will be a population of 73,000,000 June 30, increasing, from whom it is proposed to collect $2.50 per head on other articles of consumption than liquors and tobacco.

Additional sum to be provided	$182,500,000.00
The present small internal taxes on banks, cards, oleo, and miscellaneous prominent receipts yield in excess of 25 cents per head	18,250,000.00
Remainder, $2.25 per head	$164,250,000.00

To be derived from duties on imports other than liquors and tobacco, $2.25 per head.

The embarrassment which we have now to meet in this problem is the power which we now possess of producing nearly all the necessities and comforts of life in great excess of our own possible consumption. Hence it follows that the development of the home market, the stability of prices, and the maintenance and enhancement of wages alike depend on widening the export traffic, and in removing all obstructions to the exchange of our excess of products for the products of other countries, so that all may share alike in the benefits of commerce.

Another difficulty may be met in forecasting the receipts from tariff taxation. The McKinley act justified its title of "an act for the reduction of revenue" by taking off the almost purely revenue duty on sugar which for twelve preceding years had yielded ninety (90) cents per head. That revenue has been of late partly restored, and is now in the way of being fully restored. Had it been continued at ninety (90) cents per head through the years 1891 to 1896 inclusive, there would have been no deficiency of revenue even to meet the increased expenditures of the government during that period. On the contrary, there would have been a surplus exceeding one hundred million (100,000,000) dollars.

Again, the McKinley act undoubtedly disappointed its framers in yielding a very large revenue from the excessive imports of dutiable

goods which came in during its existence. It was an example of the great danger of protecting foreign manufactures and promoting foreign imports by obstructing domestic manufactures through heavy duties on the materials of foreign origin which are necessary thereto. The act now pending will work even more fully to the promotion of foreign manufactures and to the depression of the domestic by yet greater obstruction to the import of the crude or partly manufactured materials which are necessary in the processes of domestic industry. Unless domestic manufactures are repressed and their progress retarded under the pending measure, it will utterly fail to yield the necessary revenue. On the other hand, under the full remission of the duty on wool and the moderate remissions of duty on other articles which enter into the processes of domestic manufacture, our domestic industry has already been so much promoted that, if that policy were continued, the import of foreign textile fabrics and of other fabrics of a similar character, on which reliance is placed for revenue, might utterly fail, in which case other revenue taxes would be called for.

It will be remarked that since the existing tariff was in force our exports, especially of finished manufactures, have increased by leaps and bounds. The country has been learning its own strength and its ability to compete on even terms with other machine-using nations. Our present exports exceeded a billion ($1,000,000,000) dollars a year in valuation. If the rate of wages governed or controlled the cost of labor, not one dollar's worth of these products of agriculture, of the mine, of the forest, of the factory, or of the workshop, could be sold for export to any foreign country. The wages which are recovered from their sale are from twenty-five (25) to five hundred (500) per cent. higher than they are in the countries to which the goods are exported, or even in the manufacturing States of Europe with which we compete in supplying the world with what it wants.

The so-called manufacturing nations of the world are, aside from the United States, the United Kingdom of Great Britain and Ireland, France, Germany, Holland, and Belgium. In these five European States the application of machinery to production has enabled them to become the great purchasers of our excess of product. For many years the United Kingdom has taken a fraction under

forty-six (45.9) per cent. of our exports, the British Colonies twelve (12) per cent., France, Germany, Holland, and Belgium a fraction under twenty-four (23.9) per cent., all other countries and continents a fraction over eighteen (18.2) per cent. In some years Great Britain and her Colonies have taken more than sixty per cent. of all our exports.

Our conditions relative to other countries may be given in a few words. In this country we now produce an excess of food, of fuel, of metal, of fibres (except wool and silk), of timber, and of a very large number of our manufactures. Such are our advantages in resources that at the highest rates of wages derived from production we are yet sending manufactured goods and wares of almost every kind to every part of the world; while we are, more and more, converting our crude products into finished forms before exporting them.

In these conditions we stand alone. All the other manufacturing States are deficient either in food, fuel, fibres, metals, or timber, one or all, and must import, in order to maintain their existence, their manufactures and their exports largely from us.

While the prime motive and factor in the commerce of other nations is to supply themselves with the means of existence and the materials on which to work, the prime motive of our commerce and of our exports is to dispose of an excess above our own consumption and to exchange this surplus product for more and more of the comforts and luxuries of life, especially the products of the tropical and semi-tropical countries.

From the investigations of the United States Census it is proved that the exports of our farm products in their primary or secondary form represent the work of not less than 1,433,227 farmers and farm laborers, while the estimated number of persons employed to produce the manufactures imported is 174,296. These are the most guarded figures. The number dependent on and also thriving on exports probably exceeds 2,500,000, and is rapidly increasing.

In dealing with this problem, we are called upon to meet existing conditions. There are still a few branches of domestic industry which have been built up under the retarding influence of duties on the materials which enter into their processes and under the stimulating influence of high duties on foreign fabrics of the same kind.

Nearly all of these protected arts — notably, iron and steel — have, however, become substantially independent, and can no longer be called infant manufactures. Iron and steel are now produced in mass at a lesser cost by the unit of product and at higher rate of wages than can be paid in any other country. The tin plate industry has been established by the use of black steel plates at lessened cost, which are converted into tin plates by the application of machinery in place of the arduous hand labor of Wales. Under these improvements our home supply almost suffices to meet all our wants, and tin plates will soon be largely exported. The exports of metals and metal work are increasing in a more rapid proportion than any other class. The coarse and medium cotton fabrics, especially of the Southern mills, are finding a market in every part of the globe. On the other hand, such arts as are not yet wholly free of danger from a change in our tariff policy may be cared for by due regard to adjusting duties on the finer fabrics of cotton, wool, china, and glassware, and the like, while at the same time moderate duties upon them may be adjusted to the collection of the necessary revenue. Passing by these exceptional arts, which are relatively few in number, we meet conditions such as never existed before, by which we may be governed and guided in applying the simple principles of taxation previously stated to the protection of American labor and the promotion of domestic industry. This can be done in such a way that the members of the two great parties, so lately united in support of the honor and integrity of the nation, may maintain that union in support of suitable measures for the collection of the necessary revenue.

The question comes up how to get this sum of $2.50 per head with the least disturbance of existing conditions and with the least interference with commerce.

It would be desirable to put into the free list a large number of paltry taxes in the existing tariff which yield but little revenue. About one-half of the present separate specifications of dutiable articles could be put into the free list without reducing the revenue by ten per cent.

It will be remarked that with every removal of taxes on the import of crude or partly manufactured materials which enter into the processes of domestic industry our export of manufactured goods has increased almost by leaps and bounds.

Our problem, therefore, is to promote domestic industry and to protect American labor by removing all taxes on the materials and processes of industry, and to gain from duties on imports other than liquors and tobacco a customs revenue of two dollars and twenty-five cents ($2.25) per head only by tariff taxes on articles of voluntary use of luxury.

Any intelligent man would find no difficulty in choosing, were the question put to him in this way.

We have provided for a tax of 40 cents per head on sugar by existing laws, now about to be increased to the former ratio of 90 cents, leaving only one dollar and thirty-five cents ($1.35) for miscellaneous duties.

Our present tax on fine and fancy articles, silks, embroideries, laces, glassware, pottery, and other articles of like kind, which are mainly consumed as a matter of fashion or fancy, will yield at least one dollar a head.

We can get nearly half of what more we need by a temporary increase of one dollar a barrel on beer yielding, say, 50 cents a head, or $35,000,000.

A tax of 5 cents a pound on coffee would yield on average consumption $29,000,000; one of 15 cents a pound on tea, $14,000,000,— together $39,000,000, about 55 cents per head, or together with the beer tax $1.05 per head,— in all $2.45 per head,— and give a surplus for the sinking fund. If the simple question were put to vote, "Would you prefer this system or an increase in the cost of the materials on which you work, the tools that you use, or the clothes that you wear?" can any one doubt what the reply would be?

All the facts and figures contained in this statement have been taken from official reports and have been carefully verified.

Conclusion.

The publication of this essay and its addenda having been delayed to the present time, May 12, 1897, a few words may be added on the present conditions of this problem.

The Ways and Means Committee of the House of Representatives have prepared a measure of taxation from which, in the esti-

mate of the chairman, about one hundred and twelve million dollars ($112,000,000) might be secured by the government in addition to the revenue now derived under existing laws. According to his estimate, twenty-two million dollars ($22,000,000) of that increase might be expected from the additional tax on sugar. The remainder, about ninety million dollars ($90,000,000), might, in his judgment, be expected from the continued import of dutiable goods on which excessive duties have been placed at the demand of persons in this country who seek the intervention of law in order to raise the prices of their own products. If Mr. Dingley's expectations could be realized, and the government should, under such an act, receive ninety million dollars ($90,000,000) excess of revenue aside from sugar, it would be at the cost to the people of at least double that sum through the raising of the price of a few domestic products, in which the many have no interest, as well as raising the price of the foreign import. What Mr. Dingley had failed to perceive, but which the experienced members of the Finance Committee of the Senate quickly detected, was that, while these excessive duties would doubtless raise the prices of the domestic products in a considerable measure, perhaps to the full sum or more, they might also so restrict consumption as to stop imports; or else, if the imports continued so as to yield the expected revenue, the consumption of other products would be restricted. Under these conditions the Finance Committee of the Senate recommend purely revenue taxes on sugar, beer, and tea in addition to those now collected, so as to make it certain that the government will get a sufficient revenue to meet its expenditures.

But, again, the Committee of Ways and Means, led by Mr. Dingley, declared that an additional revenue of one hundred and twelve million dollars ($112,000,000) was needed to meet an existing deficiency. There is no deficiency of revenue under existing laws approaching any such sum, and there would be no deficiency of any kind under existing laws except for the reckless and extravagant appropriations of the last and the previous Congress. Had the appropriations from 1890 to 1896 been kept down to the average of the previous twelve years of five dollars ($5) or less per head, there would have been no deficiency of revenue in that period even without the revenue from sugar. On the contrary, there would have

been a very large reduction of the national debt. The deficiency in revenue and the excess of expenditure throughout the Harrison administration, overlapping the first two years of Cleveland's last administration, may be wholly attributed to the legislation of 1890, known as the McKinley act, and the other acts of like kind which accompanied it. In the last two years of President Cleveland's last administration the expenditures have been brought back to the normal rate of less than five dollars ($5) per head. The expenditures in the fiscal year, ending June 30, 1896, were four dollars and eighty-two cents ($4.82) per head. The exact amount appropriated by the last Congress is not yet established. President Cleveland vetoed three of the most reckless measures. They are now before the Senate. It is commonly assumed that, if these appropriations should be made, the expenditures under them would come considerably in excess of six dollars ($6) per head, and may approach seven dollars ($7) per head. It is to meet this excess of reckless appropriations that the demand is now made for an increase of taxation expected to yield more than one hundred million dollars ($100,000,000) to the treasury at a cost of nearly double that sum or more to the people.

It may be assumed that the present administration will use a wise economy in acting under these laws and in avoiding the contracts which are not compulsory, so as to keep expenditures down to a reasonable sum. In that event the taxes now proposed by the Senate Committee of a purely revenue nature — namely, the increase on sugar, the additional tax on beer, and the tax on tea — will more than suffice to meet any possible deficiency; and it is to be hoped that ere the debate is ended the pressure of public opinion will have compelled the present Congress to drop the pending Dingley-Aldrich bill, and to provide by taxation for revenue only for any deficiency which may be disclosed at the end of the fiscal year, if there is then any deficiency to be covered, existing or prospective.

Table 5.

Pro forma plan for the collection of a revenue of five dollars ($5) per head without resort to any duties upon imports except liquors, tobacco, sugar, tea, and coffee, which are all articles of com-

mon and, to some extent, of voluntary consumption, on which substantially all the taxes that the people pay the government would receive.

	Per Head.	*Amount.*
Population, 73,000,000.		
Liquors and tobacco, present taxes	$2.50	$182,500,000
Sugar	.90	65,700,000
Miscellaneous permanent receipts	.25	18,250,000
Beer, additional, 50c. bbl.	.25	18,250,000
Stamps on deeds, bonds, etc.	.30	21,900,000
Stamps on patent and proprietary medicines	.10	7,300,000
Tea and coffee	.30	21,900,000
Petroleum products	.40	29,200,000
	$5.00	$365,000,000

To this schedule might be added duties at moderate revenue rates upon textile fabrics, glassware, crockery, some kinds of fruit and nuts, laces, embroideries, and the like; nearly all of which are articles of luxury or of voluntary use or are mainly dependent upon the passing fashion and fancy of each season for their consumption. Moderate duties upon this class of articles at the rate of one dollar and a half ($1.50) a head, being added to the previous schedule, would bring the revenue to six dollars and a half ($6.50) a head ($474,500,000) under a just system of collection. That amount would yield over one hundred million dollars ($109,500,000) surplus above all reasonable expenditures for the conduct of the government, and would enable the country to pay off its whole bonded debt in seven to eight years, and its whole demand debt in a few years more.

This question is not one of mere dollars and cents. We have paid a much higher per capita rate of taxation than six dollars and a half ($6.50) a head, and have prospered. If our national taxes were equal to that sum, we should still be the lightest taxed manufacturing nation or State in the world. Our annual budget would even then be little more than one-half that of Great Britain for imperial purposes. All that is required for the just settlement of this question is to withdraw it from party politics, and to compel legislators to assess all taxes under the simple rule that all taxes that the people pay the government shall receive, so far as it is possible to comply with that rule under any system of duties on imports that can be devised.

If it is expedient to tax the people of this country six dollars and a half per head ($6.50) or one hundred million dollars ($100,000,000) more than is needed to support the government rightly administered, that sum can be raised on this plan without excluding the imports which are the means of payment for our exports, without obstructing domestic industry or retarding the progress of domestic manufactures, and without fraud or undervaluation. It is presented as an alternative to the Dingley bill, of which the motive is protection to the few at the cost of the many, with such doubt of the incidental revenue that the astute members of the Senate Committee have added other taxes for revenue only. The issue is clear; and the choice is now before the people whether to work out their taxes for the support of the government and for the payment of their national debt only; or to work under a system of taxation of which the avowed purpose is the private benefit of a few privileged classes, with such incidental revenue for the support of the government as may be left for that purpose.

In dealing with this problem, I have been obliged to use severe words in condemning the work of Messrs. Dingley and Aldrich. They have no personal application. It has been my privilege to know them both for many years, and no one could be better assured of the integrity of their motives and the sincerity of their conviction that the policy which they advocate is right. They deserve sympathy rather than blame. They are the survivals and, in some aspects, the victims of a policy which is intellectually dead. The present contest is but a continuation of the irrepressible conflict in which slavery destroyed itself in its effort to suppress the principle of liberty. This present effort to impose bad money and bad methods of taxation upon this country could have had no existence except for the necessities of war finance, and war taxes. This conflict is also irrepressible and will not end until the advocates of the forced use of bad money under an act of legal tender have been suppressed, nor until commerce with the world has been made free from the obstruction of a bad system of taxation. The sequence of events will then have been completed in due order. The principle of liberty will govern legislation, assuring Free Speech, Free Soil, Free Men, and Free Trade.

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